

Beta Test Scenarios (A, B, and C) for the Ad-Hoc Group Discussion

Scenarios

Scenario	Default Rate	Recovery Rate
A	Historical	Historical
B	Historical	Stepdown
C	Historical + 1 σ	Stepdown

Two Default Scenarios

“Historical” Default Vectors

	1	2	3	4	5	6	7	8	9	10
Ba1	0.6%	1.8%	3.1%	4.4%	5.8%	7.2%	8.2%	9.0%	9.8%	10.7%
Ba2	1.0%	2.4%	3.9%	5.4%	6.8%	8.0%	9.1%	10.4%	11.8%	13.4%
Ba3	1.8%	4.8%	8.0%	11.6%	14.6%	17.5%	20.0%	22.4%	24.7%	26.7%
B1	2.7%	6.7%	10.9%	14.7%	18.5%	21.9%	25.3%	28.2%	30.8%	32.9%
B2	4.0%	9.8%	15.1%	19.7%	23.4%	26.8%	29.7%	32.1%	34.3%	36.4%
B3	6.5%	13.6%	20.2%	25.7%	30.4%	34.4%	37.9%	40.9%	43.5%	45.5%
Caa	12.8%	23.1%	30.9%	37.1%	41.7%	45.4%	48.2%	51.0%	53.6%	55.8%
Ca-C	49.8%	61.5%	67.6%	70.8%	71.5%	71.5%	72.5%	73.4%	73.4%	73.4%

“Historical + 1 σ ” Default Vectors

	1	2	3	4	5	6	7	8	9	10
Ba1	1.1%	3.4%	5.4%	7.4%	9.5%	11.3%	12.5%	13.3%	14.1%	15.0%
Ba2	1.9%	4.5%	6.8%	9.0%	11.2%	12.6%	13.9%	15.4%	17.1%	18.7%
Ba3	3.5%	9.0%	14.0%	19.4%	23.8%	27.5%	30.6%	33.4%	35.6%	37.4%
B1	4.7%	10.7%	16.4%	21.1%	25.3%	28.8%	32.1%	35.2%	38.3%	40.9%
B2	7.1%	15.6%	22.7%	28.3%	32.0%	35.2%	37.7%	40.0%	42.7%	45.3%
B3	11.5%	21.7%	30.4%	36.8%	41.5%	45.2%	48.1%	51.1%	54.1%	56.5%
Caa	20.1%	32.7%	41.7%	47.3%	51.3%	53.7%	55.7%	58.2%	60.2%	62.5%
Ca-C	77.9%	87.3%	91.0%	91.0%	91.0%	91.0%	91.0%	91.0%	91.0%	91.0%

Recovery Rates

Collateral Label	Historical Priority Position	Stepdown Priority Position
Senior Secured Loan	1st Lien Bank Loan, 64.07%	Sr. Unsecured Bank Loan, 40.29%
Second Lien Loan	2nd Lien Bank Loan, 28.68%	Sr. Subordinated Bond, 26.33%
Senior Unsecured Bond	Sr. Unsecured Bond, 33.87%	Subordinated Bond, 27.52%
Other	Jr. Subordinated Bond, 26.78%	Sr. Subordinated Bond, 26.33%

Source: Moody's Corporates - Global: Annual default study (2019)

Interest Rates (Constant)

	1M	3M	6M	1Y
LIBOR	4.39%	4.77%	5.14%	5.48%
TERM SOFR	4.33%	4.58%	4.77%	4.86%

PRIME	7.5%
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